CBCS SCHEME

USN

MBA202

Second Semester MBA Degree Examination, June/July 2025
Financial Management

Time: 3 hrs. Max. Marks: 100

*Notes: 1. Answer any **FOUR** full questions from Q.No. 1 to Q.No. 7*
2. Question No. 8 is compulsory.
3. M: Marks, L: Bloom's level, C: Course outcomes.

<table>
<tr><th></th><th></th><th></th><th>M</th><th>L</th><th>C</th></tr>
<tr><td>Q.1</td><td>a.</td><td>What are the objectives of Financial Management?</td><td>3</td><td>L2</td><td>CO1</td></tr>
<tr><td></td><td>b.</td><td>State the difference between Primary and Secondary market.</td><td>7</td><td>L2</td><td>CO1</td></tr>
<tr><td></td><td>c.</td><td>Birla company Ltd. is evaluating a project that has the following cash flow. The cost of capital is 15%. You are required to calculate the Modified Internal rate of return.
<table>
<tr><td>Year</td><td>0</td><td>1</td><td>2</td><td>3</td><td>4</td><td>5</td><td>6</td></tr>
<tr><td>Cashflow(in millons)</td><td>-120</td><td>-80</td><td>20</td><td>60</td><td>80</td><td>100</td><td>120</td></tr>
</table></td><td>10</td><td>L2</td><td>CO3</td></tr>
<tr><td>Q.2</td><td>a.</td><td>What do you mean by Time Value of Money?</td><td>3</td><td>L3</td><td>CO2</td></tr>
<tr><td></td><td>b.</td><td>An investor deposits Rs 20000 in a Bank Account for 5 years at 8 % interest. Calculate the amount he will have in his account if interest is compounded, i) Annually ii) Semi - annually iii) Quarterly iv) Continuously.</td><td>7</td><td>L2</td><td>CO3</td></tr>
<tr><td></td><td>c.</td><td>Maruti company borrows Rs.10,00,000 at the rate of interest 15% p.a, the loan is to be repaid 5 equal installments paid at the end of each year. Prepare the loan amortization schedule.</td><td>10</td><td>L2</td><td>CO3</td></tr>
<tr><td>Q.3</td><td>a.</td><td>Mr. Kapoor plans to send his daughter for higher studies abroad after 10 years. He expects the cost of these studies to be Rs 10,00,000. Calculate how much he would save annually to have a sum of Rs 10,00,000 at the end of 10 years, if the interest rate is 12 percent.</td><td>3</td><td>L2</td><td>CO3</td></tr>
<tr><td></td><td>b.</td><td>Explain the sources of Financing.</td><td>7</td><td>L2</td><td>CO3</td></tr>
<tr><td></td><td>c.</td><td>Briefly explain the emerging areas in Financial Management.</td><td>10</td><td>L2</td><td>CO1</td></tr>
<tr><td>Q.4</td><td>a.</td><td>What do you understand by Angel Investing?</td><td>3</td><td>L2</td><td>CO1</td></tr>
<tr><td></td><td>b.</td><td>A company is considering which of two mutually exclusive project it should undertake. The company anticipates a cost of capital of 5% and net after tax cash flows of the project are as follows :
<table>
<tr><td>Year</td><td>0</td><td>1</td><td>2</td><td>3</td><td>4</td></tr>
<tr><td>Project X</td><td>-30000</td><td>15000</td><td>15000</td><td>10000</td><td>10000</td></tr>
<tr><td>Project Y</td><td>-40000</td><td>25000</td><td>20000</td><td>15000</td><td>10000</td></tr>
</table>
Calculate the NPV of each project , recommend which project is better.</td><td>7</td><td>L2</td><td>CO3</td></tr>
</table>

c. Akash ltd. has following details. Determine WACC. (10, L2, CO3)

Sources of funds	Book value	Market value	Specific cost %
Debt	400000	380000	5
Preference	100000	110000	8
Retained earnings	200000	-	13
Equity capital	600000	1200000	15

Q.5

a. If the interest rate is 8 percent , calculate the doubling periods as per the rule of 72 and the rule of 69 respectively. (3, L1, CO2)

b. Define financial management. Briefly explain the role of finance manager. (7, L2, CO1)

c. The following information is available in respect of a product. (10, L4, CO5)

Units sold	190000
Unit sales price	Rs.5
Fixed cost	Rs.250000
Variable cost per unit	Rs.1
Tax rate	50%
10% Debt capital	Rs.600000

Calculate OL, FL & CL.

Q.6

a. A company issues Rs.10 lakhs,10% redeemable debentures at a discount of 5%. The cost of floatation cost is Rs. 30000. The debentures are redeemable after 5 years at par. Calculate after tax cost of debt assuming tax rate of 50%. (3, L2, CO3)

b. Discuss the factors determining working capital. (7, L3, CO4)

c. Prepare the estimate of working capital requirement from the following data of a trading concern: (10, L3, CO4)
Raw materials -52, Direct labour-19.5, Overheads-39.5, Total cost-111, Profit-119.5, Selling price-130.

- Projected annual sales-70000 units
- Average raw materials in stock 1 month.
- Average materials in process ½ month.
- Credit allowed by suppliers -1 month.
- Credit period allowed to debtors -2 months.
- Time lag in payment of wages 1 ½ week
- Overhead Time lag 1 month.
- ¼ th of sales are on cash basis. Cash balances is Rs.120000(¼th purchased for cash).
  Allow 10% for contingencies.

Q.7

a. A company issues 15% equity shares of Rs.10000 each and tax paid is 40%, brokerage is 3 %. Calculate the cost of retained earnings. (3, L2, CO3)

b. What are the factors that influence the dividend policy of a firm. (7, L2, CO3)

	c.	From the following information calculate operating cycle and cash cycle: Sales-800, Cost of goods sold-720, Inventory : Opening Inventory-96, ClosingInventory-102 Accounts receivable : Opening receivable-86, Closing receivable-90, Accounts payable : Opening payable-56, Closing payable-60	10	L4	CO5
Compulsory Questions					
Q.8		Mr. M is considering a capital project with a following information : Investment outlay of the project is Rs100 million this consists of Rs.80 million on plant & machinery and Rs.20 million on net working capital. The project will be financed with Rs.45 million of equity capital, Rs.5 million of preference capital and 50 million of debt capital. Preference capital carry a dividend rate of 15 % and debt capital 15%. Life of the project is expected to be 5 years, at the end of 5 years fixed asset will fetch net salvage value of Rs.30 million, Project is expected to increase the revenue of the firm by Rs.120 million per year. Increase in cost is expected to be Rs.80 million per year (it includes all items of cost other than depreciation interest and tax). Tax rate will be 30 %. Plant and machinery will be depreciated at the rate of 25% per year WDV Method. Estimate the cash flow of the firm.	20	L3	CO4

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